

August 30, 2010

## Natural Gas Trends

### Highlights

#### GAS COMPANIES REPORT RESULTS THRU 6/30/2010

**Atmos Energy Corporation** reported a net loss of \$3 million for the quarter ending 6/30/2010, compared to net income of \$2 million during the same quarter last year. Net income for the Natural Gas Distribution segment increased by \$4 million, compared to the same period last year. Atmos' gas distribution segment benefited from \$5.5 million in rate increases, primarily in its Texas and Louisiana service areas. On July 1, 2010, Atmos entered into an agreement with a brokerage firm to repurchase \$100 million of its outstanding common stock. Atmos distributes natural gas to 3.2 million customers in 12 states, including Texas.

Source: [www.atmosenergy.com](http://www.atmosenergy.com)

**CenterPoint Energy, Inc.** reported net income of \$81 million for the quarter ended 6/30/2010, compared to \$86 million in net income reported for the same period last year. The Natural Gas Distribution segment reported operating income of \$10 million for the 2<sup>nd</sup> quarter, five times the \$2 million in operating income reported for the same period last year. The gas distribution segment benefited from rate changes, higher non-volumetric revenues, and lower operation and maintenance expenses, primarily lower bad debt expenses. For the six months ended 6/30/10, CenterPoint increased capital expenditures for its Field Services segment from \$104 million to \$341 million; capital expenditures declined for all other business segments. CenterPoint provides electricity and natural gas to more than 5 million metered customers in at least six states, including Texas.

Source: [www.centerpointenergy.com](http://www.centerpointenergy.com)

**ONEOK, Inc.**, the parent of Texas Gas Service Company, reported net income of \$41.7 million for the quarter ended 6/30/2010. Operating income for ONEOK's Distribution segment was \$32.3 million, more than double the \$15 million in net income reported during the same period last year. ONEOK's Distribution segment benefited from a \$17.2 million rate increase in Oklahoma and a \$2.8 million decrease in overall operating costs including, in part, lower employee-related costs. ONEOK ended the quarter with no short-term debt, \$1.2 billion available from its existing credit facilities, \$100.2 million of cash and cash equivalents, and \$342.9 million of natural gas in storage. The ONEOK Partners segment recently announced a \$1.1 billion growth project at the Bakken shale (North Dakota), a \$55 million growth project at the Woodford shale (Oklahoma) and a \$36 million project to expand capacity of a natural gas liquids pipeline (Texas, Oklahoma). ONEOK's three distribution companies provide natural gas service to approximately 2.4 million customers, including 600,000 Texas customers, 800,000 Kansas customers and 800,000 Oklahoma customers.

Source: [www.oneok.com](http://www.oneok.com)

### Data

- September Natural Gas Futures Contract (Aug 27), NYMEX at Henry Hub closed at \$3.651
- September Light, Sweet Crude Oil Futures Contract (Aug 27), NYMEX at Cushing closed at \$75.17 per Bbl. or approximately \$11.97 per MMBtu

#### Last week: Still Warmer Than Normal

For the week beginning 8/22/10 and ending 8/28/10, cooling degree days were higher than normal for Texas and the U.S. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 8% above normal for Texas and 21% above normal for the U.S.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

#### COOLING DEGREE DAYS (CDD)

| City or Region | Total CDD for week ending 8/28/10 | * Week CDD +/- from Normal | Year-to-date total CDD | * YTD % +/- from Normal |
|----------------|-----------------------------------|----------------------------|------------------------|-------------------------|
| Amarillo       | 53                                | - 16                       | 1271                   | + 14 %                  |
| Austin         | 151                               | + 17                       | 2285                   | + 3 %                   |
| Dallas – FW    | 148                               | + 20                       | 2502                   | + 25 %                  |
| El Paso        | 112                               | + 10                       | 2139                   | + 17 %                  |
| Houston        | 157                               | + 35                       | 2501                   | + 17 %                  |
| San Antonio    | 154                               | + 23                       | 2343                   | + 4 %                   |
| Texas**        | 133                               | + 15                       | 2167                   | + 8 %                   |
| U.S.**         | 64                                | + 6                        | 1163                   | + 21 %                  |

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

\*\* State and U.S. degree days are population-weighted by NOAA.

#### Last week: U.S. Gas Storage at 3.052 Bcf

For the week ending 8/20/10, U.S. working gas in storage increased from 3,012 to 3,052 Bcf compared to 3,250 Bcf in storage a year ago and compared to an average of 2,875 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) decreased from 954 to 949 Bcf.

Source: [www.eia.doe.gov](http://www.eia.doe.gov)

#### U.S. WORKING GAS IN STORAGE

| Region         | Week ending 8/20/10 | Prior Week | One-week Change | Current Δ from 5-YR Avg (%) |
|----------------|---------------------|------------|-----------------|-----------------------------|
| East           | 1624                | 1576       | + 48            | + .9 %                      |
| West           | 479                 | 482        | - 3             | + 19.5 %                    |
| Producing      | 949                 | 954        | - 5             | + 9.7 %                     |
| Lower 48 Total | 3052                | 3012       | + 40            | + 6.2 %                     |

Units in billion cubic feet (Bcf)

**Last week: Gas Rig Count Down 12 To 973**

The gas rig count for the U.S. was down 12 last week and up 274 when compared to 12 months ago. The U.S. total rig count was up 5 last week and up 657 when compared to 12 months ago.

Source: Baker Hughes

**BAKER HUGHES ROTARY RIG COUNT**

|            | As of<br>8/27/10 | +/- Prior<br>Week | Year<br>Ago | +/-<br>Year Ago |
|------------|------------------|-------------------|-------------|-----------------|
| U.S. total | 1656             | + 5               | 999         | + 657           |
| Gas        | 973              | - 12              | 699         | + 274           |
| Oil        | 672              | + 17              | 286         | + 386           |
| Texas      | 729              | + 13              | 376         | + 353           |
| N. Amer.   | 2042             | + 12              | 1183        | + 859           |

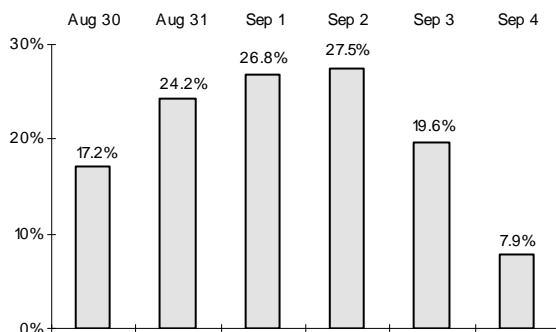
Numbers are excerpted and not meant to be totaled

**This week: U.S. Energy Use Higher Than Norm**

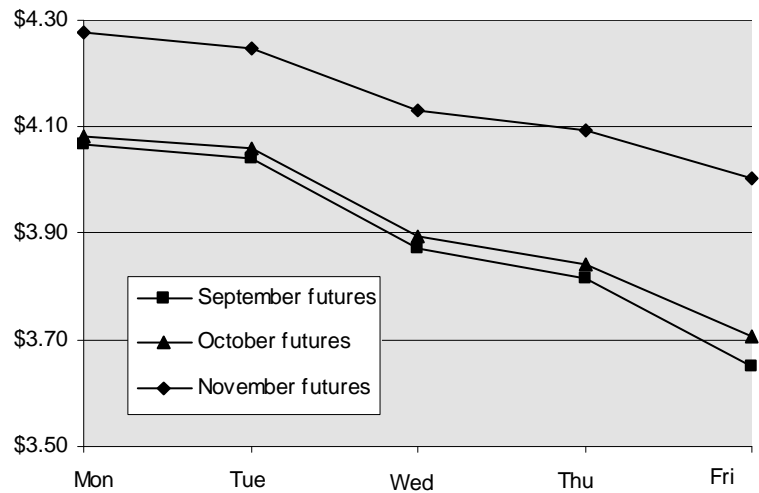
U.S. energy use is forecast to be higher than normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

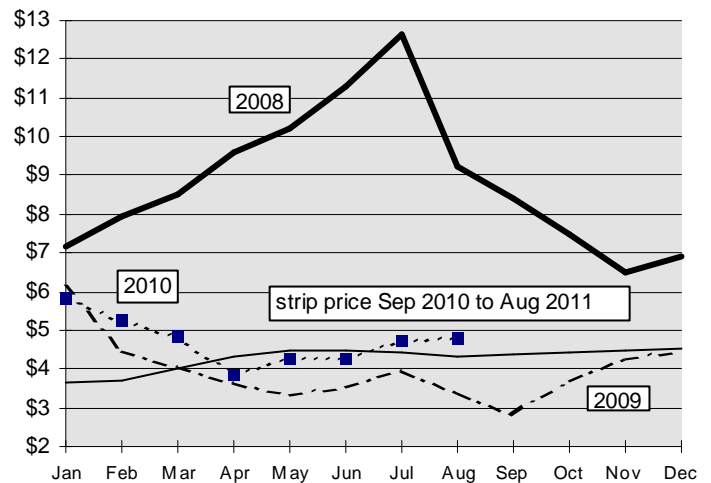
**U.S. ENERGY USE FORECAST**



**NYMEX NATURAL GAS PRICE MOVEMENT 8/23/10 - 8/27/10**



**NYMEX HENRY HUB FUTURES PRICES**



**GAS PRICE SUMMARY AS OF 8/27/10**

|                      | This Week | +/- Last<br>Week | +/- Last<br>Year | 12-Month<br>Strip Avg. |
|----------------------|-----------|------------------|------------------|------------------------|
| US September futures |           |                  |                  |                        |
| NYMEX                | \$3.651   | -\$0.466         | \$0.808          | \$4.347                |